



**STATEMENT  
of the  
UNITED STATES COUNCIL  
FOR INTERNATIONAL BUSINESS**

**DELIVERED BY**

**KENNETH W. LEESON**

**CHAIRMAN**

**COMMITTEE ON INTERNATIONAL TELECOMMUNICATIONS POLICY  
UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS**

**BEFORE THE**

**SUBCOMMITTEE ON TELECOMMUNICATIONS, TRADE, AND CONSUMER  
PROTECTION**

**U.S. HOUSE OF REPRESENTATIVES**

**MARCH 19, 1997**

**UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS**  
1212 Avenue of the Americas, New York, New York **10036. (212) 354-4480**



**United States Council for  
International Business**

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The International Chamber of Commerce  
The International Organisation of Employers  
The Business and Industry Advisory Committee to the OECD  
The ATA Carnet System

**Summary of Mr. Leeson's Statement  
to the  
Subcommittee on Telecommunications, Trade, and Consumer Protection  
U.S. House of Representatives  
March 19, 1997**

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The U.S. Council for International Business fully supports the outcome of the WTO negotiations on basic telecommunications and congratulates USTR and the entire negotiating team for their successful efforts. We believe this historic agreement is progressive and forward looking and will significantly increase the speed with which competition is introduced in telecommunications markets around the world.

We articulated from the outset two challenging goals for these negotiations. We maintained that a successful agreement must include (1) quality market-opening offers from a critical mass of countries; and (2) commitments to regulatory principles to ensure that new entrants can compete fully and fairly with incumbents when markets are opened to competition.

The agreement reached on February 15 meets these goals. Some 69 countries representing over 95 percent of the telecommunications revenues of WTO members have submitted offers, many of which provide significant access to markets which previously had been highly restricted or completely closed. Furthermore, 55 countries have made firm commitments to implement pro-competitive regulatory principles.

Going forward, we believe the single greatest challenge to the long-term success of this agreement will be achieving effective implementation of the regulatory principles contained in the 'Reference Paper' to which many countries have committed themselves.

While each country has the flexibility to implement these principles within its own institutional framework, all will be subject to a fairly uniform and unforgiving test of their effectiveness—success or failure in the marketplace. As effective compliance with the provisions of the Reference Paper will presumably be subject to the WTO's dispute settlement procedures, any effort on the part of US officials to support the development of effective regulatory structures in WTO member countries would be a worthwhile endeavor.

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Mr. Chairman and Members of the Committee:

On behalf of the United States Council for International Business (US Council) I would like to thank you and the full committee for inviting us to express our views on the recently concluded WTO Agreement on Basic Telecommunications.

In brief, the US Council fully supports the outcome of these negotiations and congratulates USTR and the entire negotiating team for their successful efforts. We believe this historic agreement is progressive and forward looking and will significantly increase the speed with which competition is introduced in telecommunications markets around the world. Businesses, their customers, and national economies in general will be the beneficiaries of that competition. Furthermore, for the first time ever, basic telecommunications services are now covered under the auspices of the World Trade Organization

**United States Council for International Business**

The US Council works to promote an open system of world trade, investment, and finance. Its membership of 300 multinational companies and business associations work through 50 committees and working groups to establish policy positions on a wide variety of issues of central importance to the US business community. It is the American member of the International Chamber of Commerce (ICC), the Business and Industry

Advisory Committee (**BIAC**) to the OECD, and the International Organization of Employers (**IOE**).

The US Council membership encompasses virtually all constituencies with an interest in seeing increased competition in basic telecommunications in markets around the world.

Members include local, long distance, and international carriers, resellers, satellite companies, cellular and mobile service providers, and manufacturers. In addition to companies involved directly in the telecommunications industry, our membership includes major users of telecommunications services. Thus, the work we have carried out and our public positions on these negotiations reflect a consensus among a very broad cross section of US industry.

### **The US Council's Goals in These Negotiations**

The US Council actively supported the efforts of US negotiators throughout the period leading to the General Agreement on Trade in Services (GATS), including its 'Annex on Telecommunications,' and during the subsequent three-year negotiations on basic telecommunications successfully concluded on February 15. Throughout this period, we found the US negotiating teams to be attentive, receptive to our ideas and concerns, and as forthcoming with pertinent information as the normal constraints of confidentiality would permit.

We articulated **from** the outset two challenging goals for these negotiations. We consistently maintained that a successful agreement must include (1) quality **market-**opening offers **from** a critical mass of countries; and (2) commitments to regulatory principles to ensure that new entrants can compete **fully** and fairly with incumbents when markets are opened to competition.

With regard to the **first** point, we advocated looking beyond absolute numbers of countries participating to determine whether a critical mass had been attained. Not only was there a need for a sufficiently large number of offers in absolute terms, but offers needed to be forthcoming from developed and developing countries and from all regions, including Europe, the Middle East, **Africa**, Asia and Latin America.

We urged US negotiators to judge the quality of offers on a variety of criteria, including assessments of the extent of market access permitted, whether facilities-based public networks and private networks as well as resale would be permitted, whether **wireline** and wireless services, including satellite services, would be permitted, and whether a **full** spectrum of services would be permitted -- local, long distance, international public voice and data services, and services to closed user groups.

With regard to our second goal, obtaining commitments to a set of regulatory principles, we pointed out to negotiators very early on in these negotiations the importance of ‘competitive safeguards’ to the successful implementation of any market opening

commitments made. The transition **from** monopoly to competition in the telecommunications marketplace generally pits new entrants against an entrenched incumbent with a dominant market position. When markets are initially opened to competition, commitments to ensure fair and non-discriminatory treatment of new entrants are essential. Competitive safeguards are critical to ensure that incumbent monopolists **cannot** abuse their market power. Without safeguards, competition may be seriously hampered or may not develop at all.

The agreement reached on February 15 meets these **goals**. Some 69 countries representing over 95 percent of the telecommunications revenues of WTO members have submitted offers, many of which provide significant access to markets which previously had been highly restricted or completely closed. Furthermore, 55 countries have made **firm** commitments to implement pro-competitive regulatory principles.

### **What Might Have Been Concluded Differently?**

The US Council considers the agreement reached on February 15 to be a clear success when judged against the goals that we articulated early on in the negotiations.

Consequently, our attention at this point is focused primarily on what more might be done to ensure the long-term success of the market opening commitments that have been made. In developing our thoughts and efforts in defining future actions, we look forward to reviewing in detail the final offers when they become available.

At this point, we see two areas that merit priority attention to build on the considerable progress already made to date – improvements in existing offers in the future and effective implementation of the international obligations to which countries have already committed themselves.

### **Implementation of the Reference Paper**

In our view, the single greatest challenge to the long-term success of this agreement will be achieving effective implementation of the regulatory principles contained in the ‘reference paper’ to which many countries have committed themselves. We consider the provisions set out on competitive safeguards, cost-oriented interconnection at technically feasible points in the network, universal service, licensing criteria, establishment of independent regulators, and allocation and use of scarce resources to be essential to the development of competition.

However, we are concerned that what may appear obvious and straight forward as presented in the few short pages comprising the Reference Paper will in practice prove very difficult to implement in an effective way, particularly for those countries with little or no experience in structuring and enforcing such rules. One need **only** look back over the past dozen or so years of US regulatory history in telecommunications to anticipate the coming challenge facing each of the WTO members who have signed on to Reference Paper. While each country has the flexibility to implement these principles within its own institutional framework, all will be subject to a fairly uniform and unforgiving test of

their effectiveness – success or failure in the marketplace. As effective compliance with the provisions of the Reference Paper will presumably be subject to the WTO's dispute settlement procedures, any effort on the part of US officials to support the development of effective regulatory structures in WTO member countries would be a worthwhile endeavor.

The US Council plans additional work in this area in support of ongoing efforts by WTO members to successfully implement the agreement reached on February 15.

### Conclusion

In conclusion, Mr. Chairman, the US Council congratulates Ambassador Barshefsky, Chairman Hundt and the entire negotiating team for their persistent efforts toward achieving a truly progressive agreement that will benefit US industry and consumers alike. In addition, the US Council would like to recognize the important role of this Committee and its interest and participation in the process to help guarantee that a good agreement was concluded.

I would welcome any questions you may have now or at a later time.

Thank you, Mr. Chairman



## Kenneth W. **Leeson**

Kenneth **Leeson** is Managing Director of **Cullen** International, Inc., an information and advisory **firm** specializing in telecommunications regulation.

Prior to joining CI Inc., he was Director of Regulatory Affairs for the IBM Global Network with responsibility for formulating and implementing IBM's worldwide network regulatory strategy for market entry and service deployment. While at IBM, he also provided telecommunications consulting services and directed a major study for the IBM Consulting Group entitled "Foundations of the Telecommunications Transformation - Technology, Regulation, and Corporate Strategies."

Before joining IBM, he was Senior Policy Advisor for International Communications and Information Policy, U.S. Department of State. He was also Director of the **Office** of Policy and Planning, and chaired the Senior Inter-Agency Group that devised the Presidential Determination authorizing competition with **INTELSAT** in the provision of international communication satellite services. Prior to joining the State Department he was Director, International Policy Division, National Telecommunications and Information Administration in the Department of Commerce, with responsibility for representing U.S. positions at intergovernmental forums such as the Organization for Economic Cooperation and Development.

In 1982, Dr. **Leeson** was Visiting Fellow at the East-West Communications Institute in Honolulu where he wrote, "International Communications, Blueprint for Policy," published by North Holland. In 1983, he was Adjunct Lecturer of International Relations at the George Washington University in Washington, D.C.

Before joining the government, he was Director of Research on a five-year project on the economics of information at New York University's C. V. Starr Center for Applied Economics, and co-authored the study's findings in a four volume work entitled "Information through the Printed Word," published by Praeger.

He is currently Chairman of the Committee on International Telecommunications Policy of the New York-based United States Council for International Business. From 1990 until 1996 he held the position of Vice Chairman of the Commission on Computing, Telecommunications and Information Policy of the International Chamber of Commerce in Paris and Chaired the ICC's Working Party on Telecommunications.

Dr. **Leeson** has a Ph.D. in economics **from** New York University